7-3

Policy Implications of Droughts and Food Insecurity in Malawi and Zambia

By:

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Executive Summary

This paper examines the recent droughts in Malawi and Zambia (covering the period 1990–2005 but with a focus on the 2001/2002 Southern African crisis), analyzing the impact of the droughts on food security and the responses to the crises. Several questions make these two countries particularly complex case studies: Why did relatively mild weather shocks lead to such a devastating crisis in 2001/2002? How did lack of coordination between governments and donors exacerbate the crisis? And why, given the historical tendency of these countries to experience recurrent droughts, were no measures put into place to counter the adverse impacts of the drought?

The two countries share a number of characteristics that make them particularly vulnerable to food crises: unfavorable weather patterns, a high dependence on maize as the staple crop, poor health standards, unfavorable socioeconomic conditions, and a high prevalence of HIV/AIDS. The groups that have been most adversely affected in the population include landless people, female-headed households, and the growing number of orphans. Both governments, under pressure from the International Monetary Fund (IMF), began liberalizing their agricultural sectors in the late 1980s and the early 1990s, which increased food insecurity in the countries. One response to drought has been increased food aid, with organizations like the World Bank, the World Food Programme (WFP), the United Nations Children's Fund (UNICEF), the UK Department for International Development (DFID), Oxfam, and others creating and supporting food aid and safety net programs. Food aid, in general, has been the subject of much criticism even though international organizations maintain that food aid is necessary in response to the recurrent crises in Southern Africa.

Policy options include (1) increasing food reserves, (2) encouraging formal and informal trade, (3) creating social protection programs, (5) establishing innovative programs such as the Targeted Inputs Programme and futures contracts, and (6) setting up a global contingency fund.

As an official of an international development assistance agency, your assignment is to design a strategy that will assist Malawi and Zambia in coping with the combined risks of food insecurity, drought, and HIV/AIDS.

Background

This paper examines the recent droughts in Malawi and Zambia (covering the period 1990–2005 but with a focus on the 2001/2002 Southern African crisis), analyzing the impact of the droughts on food security and the responses to the crises. In the 1990s Southern Africa experienced droughts in 1991/1992, followed only two years later by drought in Malawi and Zambia in 1993/1994 and then by drought in countries farther south in 1994/1995. A similar pattern repeated itself after the turn of the century, with the entire region experiencing droughts in 2000/2001 and 2001/2002, with particularly adverse impacts on Malawi, Zambia, and Zimbabwe. Between February and April 2002, the governments of Lesotho, Malawi, and Zimbabwe declared emergencies, and in July 2002 the United Nations sent out an appeal for US$611 million to address the crisis in the six worst-affected countries: Lesotho, Malawi, Mozambique, Swaziland, Zambia, and Zimbabwe (Cromwell and Kyegombe 2005).

What makes Malawi and Zambia particularly complex case studies are questions about why relatively mild weather shocks led to such a devastating crisis in 2001/2002 (Dorward and Kydd 2004), how lack of government-donor coordination exacerbated the crisis (Devereux 2002b), and why, given the historical tendency of these countries to experience recurrent droughts, these disasters were not foreseen and measures not put into place to counter the adverse impacts of the drought (IEG 2006). In his paper on the 2002 Malawi crisis, Devereux (2002b) said that the disaster stemmed from both technical reasons, such as production failure, information constraints, a depleted food reserve, import bottlenecks, and unaffordably high food prices, and political reasons caused by negative synergies between government and donor policies and practices.

This paper examines the circumstances of the droughts in Malawi and Zambia: the policy issues, stakeholders, and responses to the crisis. In particular, it looks at the policies that exacerbated the crisis, considers the policy responses to the crisis, and provides various policy options.

Food Security in Malawi and Drought

Situating Malawi in Southern Africa: Malawi is one of the poorest countries in Africa, with a per capita gross domestic product (GDP) of US$170 in 2000, which fell to US$160 in 2002. It has some of the world's lowest health and social indicators as well as high HIV prevalence rates (World Bank 2006a). There is a high dependence on foreign aid, even though aid flows declined considerably in 2000–2004 because the government had not complied with its agreements with donors (World Bank 2006a; WFP 2007). This lack of donor coordination with the Malawi government led to a very slow donor response to the 2001/2002 crisis. A change in government in 2004, coupled with Malawi's receipt of debt relief under the Heavily Indebted Poor Countries (HIPC) initiative in September 2006, will probably lead to aid flows as high as those in the late 1990s.

Vulnerability to droughts in Malawi. Malawi is extremely dependent on one main staple food crop—maize—which accounts for about three-quarters of calorie consumption for Malawi's population. Even though maize is agroecologically well suited to Malawi, smallholder maize production has stagnated in the past decade (Dorward and Kydd 2004). In terms of cash crops, export earnings are dominated by tobacco (61 percent) and tea (9 percent), which are rainfed crops, making Malawi vulnerable to variations in rainfall in addition to commodity price shocks (Clay et al. 2003). Tea earnings are also highly dependent on international prices.

Malawi suffers from "thin markets"—that is, very low traded volumes of key commodities, manufactures, and services (Dorward and Kydd 2004). This situation is due to transportation bottlenecks, high communication costs, and therefore high risk premiums associated with trading. Thus, for Malawi, formal trade with its neighbors was not a viable solution to the food crisis, especially because droughts affected a number of Southern African countries at the same time, causing food prices to skyrocket.

Livelihoods in Malawi are especially vulnerable owing to a combination of factors such as recurrent droughts and floods, increasing population pressure, declining soil fertility, and the country's landlocked geography. The HIV/AIDS pandemic, which has a prevalence rate of approximately 20 percent, is an additional shock to already vulnerable households (UNAIDS 2005). The low levels of financial and physical capital, coupled with the high dependence on agriculture, leave poor people's livelihoods vulnerable to risks of natural shocks such as adverse weather, crop failure, or physical insecurity. According to the World Bank (2003), unsustainable agricultural practices, structural changes in agriculture and economic processes, and institutional weaknesses in agriculture have contributed to the increasing economic instability and vulnerability in Malawi. This vulnerability is compounded by the thin markets (Dorward and Kydd 2004).

Other factors contributing to economic vulnerability include poor governance, inconsistent policies, short-term variability in external aid levels, and the effects of HIV/AIDS on resources (Benson and Clay 2004). These factors deepened the crises in 2001/2002 and 2002/2003, spreading vulnerability even to areas that were not severely affected by the drought and accelerating household impoverishment. Southern Africa is the area of the world most affected by HIV/AIDS, with Botswana, Zambia, and Zimbabwe recording extremely high AIDS mortality rates (De Waal and Whiteside 2003).

Whom do droughts affect and how? Smith (2001), which formed the framework for the World Bank's intervention in Malawi in 2002, argues that the droughts severely affected three vulnerable groups in particular: landless people, female-headed households, and the growing number of orphans.

Food Security and Drought in Zambia

Situating Zambia in Southern Africa. Zambia is also one of the poorest countries in the world. Defined as a least-developed country (LDC) by the World Bank, Zambia was ranked 143rd out of 161 countries in the *2001 Human Development Report*. The HIV prevalence rate was 14.1 percent in 2005 (UNAIDS 2005) contributing to high death rates and a steadily increasing demographic group of orphans (Samatebele 2003).

The country is characterized by a high incidence of poverty and exposure to several types of shocks like HIV/AIDS, macroeconomic instability, and periodic droughts, which have led to severe chronic and transitory food insecurity in the country (Del Ninno et al. 2005). Around 20 percent of households are classified as vulnerable (likely to be poor and exposed to shocks), whereas 40 percent are classified as chronically poor households (poor with low levels of human capital). Ten percent are both vulnerable and chronically poor (Del Ninno and Marini 2005).

Zambia is also dependent on maize as a main staple food crop. The production of maize is highly dependent on rainfall and thus susceptible to droughts. Only 5 percent of total agricultural land is irrigated, and 85 percent of cultivated land is grown with maize (Del Ninno et al. 2005). According to a paper presented at the Southern African Regional Poverty Network (Samatebele 2003), the following factors have compounded food insecurity in the country:

- an erratic supply of fertilizer and seed in the market;
- insufficient, erratic, and poorly distributed rainfall;
- losses of cattle and draught power due to animal diseases like corridor;
- high interest rates caused by structural adjustment programs (SAPs),
- lack of credit facilities for small-scale farmers;
- failure by the government to release funds to the Food Reserve Agency (FRA) to enable it to smooth out shortages and store food from one season to the next;
- high prevalence of HIV/AIDS;
- poor extension services; and
- unsustainable farming practices that have degraded the land.

History of droughts in the country. Along with the rest of Southern Africa, Zambia suffered a severe drought in 1991 and 1992. It was also hit by more localized droughts in its southern and western regions in 1994 and 1995, as well as in 1998, 2001/2002, and 2002/2003 (Del Ninno et al. 2005). According to the WFP (2007), 2.3 million people needed emergency food aid in Zambia owing to erratic rains and prolonged dry spells in 2005/2006. Like Malawi, Zambia's vulnerability to food crises can be attributed to a complex combination of factors such as unfavorable weather patterns, poor health standards, and poor socio-economic conditions. The 2003 crisis was further compounded by reduced food production in two preceding seasons (2000/2001 and 2001/2002), which resulted in substantial deficits of staple food (Samatebele 2003).

Whom do droughts affect and how? The impacts of droughts are felt most directly by farmers, because of loss of crop production and cattle, and by consumers, because of the higher consumer prices of food commodities in general and of maize in particular (Del Ninno and Marini 2005). The indirect impacts affect certain vulnerable groups such as widows and separated female-headed households, as well as households whose income comes mainly from agriculture and that have a large proportion of area under crop cultivation. Droughts have a large impact on the distribution of consumption of both the poor and nonpoor households in rural areas (Smith 2001).

Productivity in both Malawi and Zambia was low because poor farmers had difficulty getting access to inputs and could not get their goods to markets owing to poor infrastructure. In addition, lack of market integration prevented the transfer of food from food-surplus to food-deficit areas at affordable prices. Food availability declined substantially during drought years. Furthermore, the lack of transparency concerning government policy on commercial imports and sales added to traders' uncertainties and kept private sector imports from stabilizing market prices following major production shortfalls in 2001 and other years (Del Ninno et al. 2005).

Policy Issues

Government Policies

There are conflicting views on the role of the government in agricultural markets. The World

Bank and the IMF argue that national and household food security in Malawi and Zambia is best achieved by liberalizing agricultural production and marketing and that the liberalizing reforms have improved market efficiency, reduced budget deficits, stimulated export production, and increased the share of the final price received by farmers. On the other hand, critics of liberalization argue it has exacerbated household food insecurity by destabilizing agricultural prices, widening the income distribution gap, and reducing access to low-cost inputs; they call for more government intervention to help poor households manage risk (Kherallah et al. 2002). One of the direct impacts of the liberalization reforms was a reduction in fertilizer subsidies and state enterprises that monopolize fertilizer distribution. Fertilizer markets are, however, still subject to target distribution programs, indirect subsidies, and other forms of intervention (Kherallah et al. 2002).

Malawi. From the early 1960s to the early 1990s, Malawi set up a system of monopolistic marketing parastatals and promoted government policies to fix exchange rates and control agricultural markets in order to stabilize prices and reduce risks for farmers. ADMARC, the agricultural marketing parastatal, was fairly effective and played an integral role in containing the 1991/1992 drought by making food from its depots available to people at affordable prices (Devereux 2002b). ADMARC's long-run sustainability was undermined by its maize subsidization policies, which were difficult to finance. By the late 1980s the parastatal was deemed unsustainable because of its growing fiscal demands on the government, and under pressure from the IMF, the government started liberalizing the agricultural sector. The vulnerable "transition" period between ADMARC-controlled agricultural marketing and full liberalization contributed to the lack of livelihood security for many Malawians during the 2001/2002 crisis. According to a number of critics, the economic austerity measures called for by structural adjustment, including removal of input and consumer subsidies that the Malawi government had introduced in the mid-1990s, compounded food insecurity in the country (Devereux 2002b).

A controversial issue that led to a souring of relations between the government and donors during the 2001/2002 crisis was the selling of the strategic grain reserves. In 2001 the IMF had suggested that the government sell some of its grain reserves to pay back debt it owed the IMF. Instead, the entire stock of grain reserves was sold, and by the time the food crisis struck, there was no grain to release to the people. What happened to the grain is still a mystery. Unconfirmed allegations claim that politically connected people bought the grain and then released it at high prices during the crisis, thus gaining financially from food insecurity in the country. Questions about why the stock was sold and to whom aggravated donors, leading the IMF to withhold balance of payments support; DFID, the European Union (EU), and the U.S. Agency for International Development (USAID) suspended development assistance, and Denmark withdrew completely from Malawi (Devereux 2002b).

The 2001/2002 disaster, however, improved the government's responses to the disasters that followed. With the support of international donors, the government implemented the Targeted Inputs Programme whereby smallholder farmers are provided with a tiny pack of free inputs (fertilizer, maize seed, and legume seed). The program was expanded to near-universal coverage in early 2002 following the serious food crisis. Originally called the Starter Pack Programme, it had had universal coverage in 1998/1999 and 1999/2000 but was then scaled down and targeted to the poorest smallholders. The Malawi Starter Pack, later called the Targeted Inputs Programme, failed to kick-start agricultural growth, yet it succeeded in overcoming the severe input constraints facing smallholder farmers. At a sufficient geographical scale, it can help combat chronic food insecurity by enabling poor farmers to grow their own food, thus keeping food prices low during the hungry season. It also contributes to social protection and is a less expensive option than fertilizer price subsidies, subsidized commercial food imports, or food aid (Levy et al. 2004).

Targeted fertilizer subsidies are another program the government introduced to deal with food insecurity. The current program provides a majority of households with vouchers enabling recipients to buy fertilizer at one-third the market cost. Initial findings show that these programs are costly, difficult to sustain, ineffective at targeting poor farmers, subject to rent seeking, and harmful to the development of sustainable input delivery systems. Subsidies are only useful when they produce significant productivity gains, when they are less costly than alternatives such as food aid, and when they are designed in a way that avoids negative impacts on private markets (Crawford et al. 2005).

To tackle the 2005/2006 crisis, the Government of Malawi committed its budgetary resources to an emergency assistance program and purchased seed and fertilizer for targeted distribution to smallholder maize farmers at subsidized rates. It also launched a "Feed the Nation Fund" program for quick access to resources during an emergency (CAP 2005). The UN lauded its efforts and sent out an appeal in 2005 for US$87.8 million to support the government's two-pronged approach to the food crisis.

Zambia. Overall, food production in Zambia has declined substantially since 1990. This decline is mainly due to the withdrawal of government subsidies on inputs and an end to pricing policies that had favored maize production at the expense of other agricultural commodities. The government had implemented these policies in the mid-1960s and phased them out in mid-1990s under pressure from the IMF and in its move toward economic liberalization (Del Ninno et al. 2005).

In spite of liberalization, the government continued to intervene in food markets by establishing the Food Reserve Agency (FRA) in 1995. The FRA was meant to purchase and manage maize for the national food reserve and to collect and disseminate marketing and trade information. The Crop Marketing Authority (CMA) replaced the FRA in 2003 with a mandate to promote markets and to maintain enough strategic reserve stocks to ensure market supplies for three months. Nijhoff et al. (2003) argue, however, that government stocks may be redundant and may even destabilize markets by discouraging private stockholding and imports.

The Zambian government has attempted to increase food supplies through a combination of government commercial imports, food aid, food and cash transfer programs, and private sector imports (and ban on exports) (Del Ninno et al. 2005). Yet according to World Bank (2003), the government has taken limited action to anticipate shocks and design the proper response (Del Ninno and Marini 2005).

Programs and Policies of Nongovernmental and Intergovernmental Bodies

Malawi. In 1998, under the leadership of the World Bank, a joint government-donor group on safety nets was convened (Smith 2001). It was coordinated by the government's National Economic Council (NEC) and had financial backing from several donors including DFID, the EU, WFP, and the United Nations Development Programme (UNDP). The National Safety Net Programme, as it was termed, dealt with a number of issues, including the identification and selection of target groups, selection of appropriate instruments and benefit levels, fiscal affordability and sustainability, and a suitable "exit strategy" to avoid creating dependency (Devereux 2002a).

Smith (2001) said that Malawi typifies the problem of providing a safety net in very low-income countries because (1) a large proportion of the population is absolutely poor, with incomes around the subsistence minimum, and is prone to severe shocks such as droughts and AIDS; (2) growth is not rapid enough; (3) with such a large proportion of the population in poverty and little surplus to redistribute, it is unclear what role safety net transfers should play; (4) the database is weak, making it difficult to identify and target the poorest; (5) there is limited administrative capacity, making it difficult to manage complex programs; and (6) although there is no formal safety net program, a lot is already spent on transfers under various ad hoc donor initiatives but with very little impact on poverty.

Devereux (2002a, 2) criticized the National Safety Net Programme as "a product of a technocratized yet ideologically driven team of expatriate 'experts,' working in a vacuum with nominal consultation and only token attempts at building a consensus among government agencies and other national stakeholders." There is no doubt that the program had its failings, as shown by the critical food shortages and hunger-related deaths in rural areas following floods in the south and a drought in central districts in early 2002. This result underlines the importance of instituting safety net programs that factor in possible future disasters instead of merely dealing with the consequences of the current crisis.

In 2006 a number of agencies were still in Malawi, working on the food insecurity rampant in the country. For example, Oxfam (2006) said it was working with WFP in southern Malawi, providing food aid to 350,000 people. Oxfam had also launched a pilot scheme of emergency cash transfers, as an alternative to food aid, for 22,000 people in Thyolo district. In 2005 the World Bank contributed US$30 million to the Malawi government to import food. The WFP sought to increase food security among the rural and urban poor in Malawi through the creation and rehabilitation of community and household assets in food insecure areas (WFP 2007), primarily through its Food for Assets and Development Program. In this program the WFP distributes family food rations to participants (mainly smallholder farmers) who participate in its asset-building programs, which include building or rehabilitating irrigation schemes, roads, drainage systems, and other infrastructure. Other agencies that are combating food insecurity generated by the Malawi food crisis of 2005/2006 include Action against Hunger, Concern Worldwide, UNICEF, and Action Aid (CAP 2005).

Zambia. The Zambian government declared a disaster in May 2001. In response, UNICEF, the UNDP, the WFP, the Food and Agriculture Organization of the United Nations (FAO), and the World Health Organization (WHO) produced the UN Emergency Consolidated Appeal (CAP), requesting funding of US$71.39 million for emergency food assistance. The assistance targeted 1.7 million beneficiaries and had a distribution target of 224,000 metric tons (MT) of relief food. Beginning in August 2002 the Zambian government, in collaboration with the WFP and other UN systems, began the Emergency Operation Programme (EMOP), which included the distribution of food and non-food items to 43 affected districts (Samatebele 2003).

Because of limited information on the demography and problems of vulnerable households, however, it was difficult to reach the people who were most in need. Furthermore, the government refused the genetically modified maize brought into the country by the WFP, increasing the need to prioritize the groups that were the most vulnerable. Only 11 percent of the planned relief requirements were received by December 2002 (Samatebele 2003). In 2006, according to information released by the national Vulnerability Assessment Committee, Zambia's agricultural season was generally good even though in some regions excessive rains limited crop production (WFP 2006).

The Role of Food Aid

Food aid in general has been the subject of much criticism. Some of the critiques include lack of timelines and high cost of delivery to the recipient country (Barrett and Maxwell 2005 as quoted in Gentilini 2007), high administrative costs within countries, and leakages in the distribution of food aid (Smith and Subbarao 2003 as quoted in Gentilini 2007). It has also been blamed for causing disincentives for domestic production because it reduces domestic prices and can lead to reduced public and private investment in food production. Thus, the benefits of food aid in addressing acute short-term food insecurity may be offset by the cost of reducing long-term food security (Del Ninno et al. 2005). One criticism of the response to the 2002/2003 crises was an overemphasis on food aid, which Witteveen (2006) said is a "blunt tool" inadequate to respond to complex crises such as the 2001/2002 Southern African crisis.

There is also an ongoing debate on food versus cash transfers, primarily concerning whether cash and food transfers are alternative or complementary, and in which circumstances they should be adopted (Gentilini 2007). In a 2006 regional workshop on cash transfers in Southern Africa, Stephen Devereux argued that food entitlements can leave people vulnerable to failures in four main areas: production, labor markets, commodity markets, and informal transfers (RHVP 2007b). These vulnerabilities have led to a recent push from donors toward cash transfers, often in lieu of food transfers. The rapidly rising popularity of cash transfers in both emergency and development contexts has raised a number of political, financial, and operational challenges for governments, donors, and nongovernmental organizations (NGOs) (Farrington and Slater 2006).

In 2005/2006 Oxfam designed cash transfer pilot programs that provided 13,500 and 6,000 households in Zambia and Malawi respectively with a monthly disbursement of cash. One of the objectives of the pilot programs was to explore alternatives to food aid. An independent evaluation carried out by the Overseas Development Institute (ODI) in April 2006 found that unconditional cash transfers can be an appropriate response to acute food insecurity in certain contexts, but rigorous monitoring and flexibility in the planning and availability of resources are crucial. Additionally, agencies cannot assume that cash transfers will be more cost-effective, particularly in remote areas with weak markets (Witteveen 2006).

Malawi. Because of the souring of donor-government relations, especially over the issue of the sale of the strategic grain reserve, donors were slow to respond to the 2001/2002 crisis, and the food aid, though unconditional, arrived very late. The consequences of this delay were severe, including malnutrition and death for tens of thousands of Malawians.

The Government of Malawi had requested donor assistance in August 2001, citing a possible food crisis, but donors did not respond. In November 2001 several major donors—including Denmark, the EU, the United Kingdom, and the United States—suspended their aid programs in Malawi in protest against alleged corruption and economic mismanagement by the Malawi government.

There have been two main explanations for this delayed reaction from the donors. The first is that the donors did not have adequate information on the scale of the disaster and did not believe that a famine was actually underway. The second explanation points to the poor relations between the Malawi government and the donors that made them hesitant to extend support during the drought crisis (Devereux 2002b).

Even after donors started sending food aid to Malawi, the relationship between the government and the donors remained strained. In mid-May 2002 the IMF suspended disbursement of US$47 million in loans to Malawi owing to overspending by the government and blamed the government for having created famine conditions that led to the 2001/2002 crisis (Devereux 2002a).

Nonetheless, the crisis of 2001/2002 mobilized donors and the government to better prepare for future droughts. The Malawi government launched appeals for food aid in January and February 2002, and a number of countries and international agencies responded. Also in February 2002, the government set up a Task Force on the Food Crisis through which donors, NGOs, and the government could work together to combat food insecurity.

Zambia. Zambia's urban maize flour subsidies in the 1980s were untargeted and involved unsustainably large fiscal subsidies, and in the early 1990s the government eliminated them. This policy change has led to a substantial decline in food production since 1990, owing largely to the withdrawal of subsidies on inputs and an end to pricing policies that had favored maize production at the expense of other agricultural commodities. Thus Zambia has relied on food aid, supplemented by government commercial imports, to address major drought-related maize production declines.

Food aid programs were the main safety net in Zambia and in Southern Africa after the mid-1990s. Food aid included food transfers, food for assets, school feeding programs, supplementary feeding, and support to HIV/AIDS-affected households. Food-for-cash and cash-for-work programs were also implemented after the 1995 crisis. Food aid, both to provide short-term emergency relief and to help address medium-term food deficits, is thus often a major component of food security strategies in Zambia (Haddad and Frankenberger 2003).

At the end of these food aid programs, however, argues Devereux (2000), these areas suffered massive economic recession (as quoted in Del Ninno et al. 2005). He suggests that Zambia may have become dependent on food aid in the 1990s; between 1990 and 1995, in response to several droughts, certain areas in western Zambia received food aid in four out of five years. Devereux (2000) further argues that substantial sales of food aid show that the quantities distributed were too large, arrived too late, and were poorly targeted (Del Ninno et al. 2005).

The drought recovery project implemented after the 2001 crisis focused on implementing safety net interventions, mostly public works and agricultural input subsidies, instead of just supplying food aid. In 2002 the Zambian government appealed for humanitarian aid. The National Vulnerability Assessment Committee then initiated a series of food security assessments in August and December 2002 and April 2003 in order to identify needs and determine food aid distribution priorities within the country. Food aid continued to move into the country, and Zambia received a total of 176,000 MT of food aid from 2000/2001 to 2002/2003. Still, per capita food availability fell.

The Role of Trade

There is great scope for using informal cross-border trade in the Southern African region to meet food needs in Zambia and Malawi because agroecological and climatological variations ensure that there is usually good production in at least some parts of the region (Mano et al. 2003). Both Malawi and Zambia are landlocked countries that trade extensively with their Southern African neighbors, especially the Democratic Republic of the Congo (DRC), South Africa, and Zimbabwe. Importing food has been seen as a high-cost approach to ensuring food availability in Malawi given that official maize imports are estimated to cost up to five times was much as domestically produced maize (Levy 2003 as quoted in Cromwell and Kyegombe 2005). Yet, through cross-border trade, moving cereals from surplus-producing areas like northern Mozambique to deficit areas in Malawi and Zambia is a viable option to meet the food needs in those countries (Mano et al. 2003). In 2001/2002 and 2002/2003 informal trade between Malawi and Mozambique was estimated to have accounted for between one-third and one-half of total maize imports (Cromwell and Kyegombe 2005). Various regional trade agreements and forums have been set up recently to encourage cross-border trade, and there is a particular focus on the Malawi-Zambia-Mozambique trading triangle.

A new food security instrument being considered for the Southern African grain markets is the use of futures contracts. The reasoning for this is as follows: in 1998 and 2002 the governments of Malawi and Zambia imported grains at high prices; at the same time, the South African Futures Exchange (SAFEX) saw a steady increase in maize trading volumes, which suggested the possibility of hedging regional import requirements (Dana et al. 2006). The study by Dana et al. (2006) showed that the Malawian and Zambian maize prices generally move closely together, are very volatile, and were exceptionally high during 2001/2002, both absolutely and relative to world and regional levels. The 2001/2002 crisis resulted in regional shortfalls that drove up South African prices relative to the world market. Thus, Malawi and Zambia were twice affected; first by the increased differential relative to South Africa, and second by the increase in the South African differential relative to the world market (Dana et al. 2006).

In the 2005/2006 agricultural season, final food estimates showed that Malawi would face a food gap of about 400,000 MT. In response, the government signed an options contract with the Standard Bank of South Africa in 2005, giving it the right to buy additional maize at a price fixed at the time that the contract was signed (up to a maximum of 60,000 MT at US$18 million), which is enough to meet the food gap if commercial and donor imports are not high enough. So far, the experience has been positive—most of the maize purchased was used to meet humanitarian needs and had the best delivery performance of all the maize imported into Malawi (Slater and Dana 2006). In addition, by the time of delivery in December 2005 and January 2006, prices had risen to between US$50 and US$90 above the ceiling price of the contract, showing that without the options contract, Malawi would have paid much more to secure the same amount of maize. Options contracts have the potential to make humanitarian agencies more efficient (by improving the value of every food aid dollar), more effective (by mitigating price risks and thereby reducing the overall levels of humanitarian need), and more supportive of local trade (by focusing on risk management roles instead of trading functions) (Slater and Dana 2006).

Stakeholders

The groups that form the stakeholders are common to Malawi and Zambia. They represent vulnerable households, farmers, the national governments, and external donors. This section outlines the role of each group of stakeholders, how they were affected by the famine, and how they affected it.

Citizens

The farmers are directly affected by the droughts because they suffer from loss of crop production and cattle, leading to loss of incomes and purchasing power. Because both Malawi and Zambia rely heavily on agriculture, droughts adversely affect the whole economy, and the approximately 70 percent of people directly involved in agriculture face livelihood shocks and food and economic crises. Consumers are affected through the higher consumer prices of food commodities in general and of maize in particular.

The consequences of droughts include shocks to household livelihoods, with reduced incomes leading to increasing levels of poverty and increases in staple food prices. This combination of reduced incomes and higher food prices made it difficult for people to buy food, resulting in deep food insecurity. The food crisis was exacerbated by political problems such as donor-government tensions and government corruption, as well as by the AIDS epidemic, which decimated agricultural labor. People's coping methods include dietary changes such as reducing the amount eaten at meals, or skipping meals altogether, which leads to increasing levels of malnutrition and deteriorating public health (Samatebele 2003).

Civil society groups, especially in Malawi, are strongly engaged in the struggle against food insecurity. A number of Malawian civil society organizations are campaigning for "food justice" and "the right to food." For example, the Malawi Civil Society Agriculture Network "promotes sustainable livelihoods for the rural poor by influencing policy, practices, attitudes of the government, donors, and civil society through advocacy and networking" (see http://www.cisanet.org/AboutUs/Aboutus.htm). Similarly, the Malawi Economic Justice Network is a coalition of civil society organizations committed to poverty reduction through partnerships that ensure that government policies and actions are of direct benefit to the poor (see http://www.mejn.mw/aim.html).

National and State Governments

In Malawi, before the joint government-donor National Safety Net Programme, the government had implemented some smaller programs to address severe food insecurity. The National Safety Net Programme was the first national-level response to the crisis. Devereux (2002a) argues that the government's limited fiscal base does not allow it to implement either development programs or safety nets and that therefore it has very little leverage or bargaining power with its "development partners."

In Zambia the government has attempted to increase food security through a number of measures, including government commercial imports, food aid, private sector imports, and food and cash transfer programs. After the Zambian government declared a food crisis and appealed for humanitarian aid in 2002, the National Vulnerability Assessment Committee carried out food security assessments in 2002 and 2003 to identify needs and inform food aid distribution priorities within the country.

Donors and International Organizations

Zambia had faced two consecutive disasters: the 2000/2001 drought reduced crop yields by almost 40 percent of the anticipated harvest, and 2001/2002 also brought a production deficit. The Zambian government declared a disaster in May 2001 and, shortly after, the Government of Malawi declared a state of national disaster in February 2002 because of widespread famine and the mounting toll of hunger-related deaths. Both governments appealed to the international donor community and to various UN agencies for assistance.

There was a concerted response by the international donor and humanitarian community to the Southern African crisis in 2001/2002. The United Nations, through "Consolidated Inter-Agency Appeals in Response to the Humanitarian Crisis in Southern Africa," called upon the donor community for more than US$600 million to support a multisectoral approach in responding to the Southern African crisis. The WFP, which took the lead on providing food aid, launched two successive regional emergency operations (EMOPs), and generous donor response enabled it to provide emergency food aid to 10 million people between July 2002 and June 2004 (WFP 2007). Many NGOs also responded to the crisis, including CARE, Africare, Malawi Red Cross, Catholic Relief Services (CRS), Save the Children, World Vision, and Concern Universal.

Policy Options

Some of the issues to be addressed with regard to the food crises in Malawi and Zambia include strategic grain reserves, trade, social protection programs, innovative government programs, and the role of food aid.

Food Reserves

In both Malawi and Zambia, authorities failed to ensure that there were sufficient food reserves to mitigate food shortages. Although food reserves are now acknowledged as central to ensuring food security, there is still no agreement about how much should be stored. Most opinions tend to vary between 60,000 and 180,000 MT, with local governments arguing for larger reserves and many donors arguing for less (Devereux 2002a).

Informal Cross-Border Trade

Because both Malawi and Zambia are landlocked countries, it is difficult for them to gain access to food quickly. Price rises, combined with transportation delays, make these countries extremely vulnerable to price and supply fluctuations in external markets. It costs up to five times more to import maize than to produce it. During the 2001/2002 food crisis, formal trade could not have worked as a means to meet food needs because maize prices rose owing to a general regional shortage, which was compounded by price hikes and communication and transportation costs. Informal cross-border trade, however, is a potential way to address maize supply shortages in Malawi and Zambia, especially from food-surplus areas like northern Mozambique to food-deficit areas like southern Malawi and parts of Zambia. For informal trade to be successful in combating food insecurity, however, both governments must implement policies and programs that reduce the cost of trade (Arlindo and Tschirley 2003). Initiatives such as regional trade forums and agreements are steps toward ensuring that the advantages of cross-border informal trade can be fully realized in future drought situations in the region.

Social Protection Programs

The National Safety Net Programme was the first attempt by policymakers in Malawi to provide a comprehensive package of social protection measures for poor and vulnerable Malawians. The three objectives were (1) increasing lean season consumption of the poorest 20 percent, (2) providing direct assistance to those unable to look after themselves, and (3) providing increased coverage during adverse economic events or shocks such as droughts.

One criticism of existing safety nets in these countries is that they are an unsustainable response to structural problems like AIDS or rural landlessness because consumption transfers, food aid, and seasonal public works do not solve crises of low production or address issues of landlessness. Yet because of their visibility and clear targets, they are often kept in place while more sustainable poverty reduction measures are delayed.

Malawi and Zambia currently implement cash transfers and food aid programs, which usually target the most vulnerable and poorest households affected by food insecurity. These controversial programs often have conflicting results. Both Malawi and Zambia will be interesting case studies of the cash versus food debate, with their history of food aid interventions in juxtaposition with an increasing number of visible and well-funded cash transfer programs in recent years. Devereux (2002a) argues that a dangerous cycle of food aid dependency has developed in Malawi since 2001/2002. This argument is also partially true of Zambia, given that recurrent droughts have forced the government to rely on external food aid to combat food insecurity. Yet agencies like DFID, USAID, and the WFP claim that there are very few alternatives to food aid, especially as an immediate response to an emergency food crisis.

Other examples of recent targeted programs in Malawi include the Targeted Inputs Programme for smallholder farmers and targeted fertilizer subsidies. The Targeted Inputs Programme has been relatively successful, but the fertilizer subsidies have proved to be very expensive and not successfully targeted to those who need them. Targeted interventions work only when the most vulnerable benefit from the programs and should be adopted only when they are less expensive than other food insecurity instruments like food aid and commercial imports.

Innovative Initiatives

Given the nature of the recurrent droughts and food crises in Malawi and Zambia, innovative means of addressing deep-rooted food insecurity in the countries are needed. Two such methods are (1) the futures market, such as the options contract piloted by the Government of Malawi, which has shown initial positive results, and (2) improving informal cross-border trade between countries like Malawi and Mozambique so that during food shortages even landlocked countries like Malawi and Zambia will have access to less expensive food.

A Global Contingency Fund

There is a lot of research on the issue of whether relief comes at the cost of long-term development.

In a report to the World Bank, the Independent Evaluation Group said that it is critical that disasters be calculated as part of development since some countries are in a near-permanent state of recovery (IEG 2006). Malawi and Zambia are both losing sight of the long-term priorities of mitigating and managing disaster risk as they concentrate on the short-term goal of reacting to an emergency.

The IEG (2006) also mentioned a proposal to expand an existing UN program to provide a global contingency funding mechanism. Global strategies like this mechanism are crucial given that one of the problems of emergency drought relief is that a delay between the crisis and the mobilization of resources and food can lead to deaths and can have detrimental side effects on long-term development.

Assignment

As an official of an international development assistance agency, your assignment is to design a strategy that will assist Malawi and Zambia in coping with the combined risks of food insecurity, drought, and HIV/AIDS.

Additional Readings

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